

**COMPLICATIONS ASSOCIATED WITH THE APPROPRIATION
OF ALTERNATIVE FUNDING IN THE FIRE SERVICE**

FIRE SERVICE FINANCIAL MANAGEMENT

BY: Peter Waseichuk
Chief
Caledonia Fire Department
Caledonia, WI

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ABSTRACT

Fire departments throughout the United States are beginning to recognize that traditional funding is no longer adequate. The property tax pie is not only being downsized, but there are more requests for a slice of that pie. Fire Department Chief Executive Officers have been increasingly pressed to justify the replacement of a thirty-year-old engine over new park equipment. That is what the fire service has been up against.

The National Fire Academy's course "Fire Service Financial Management" provided the impetus to investigate alternative funding methods. The Academy's Learning Resource Center contained a great deal of information on alternative funding sources. In the initial research, there was surprisingly little comprehensive information on the difficulties in procuring the needed revenue by alternative means. There was, however, a great deal of research on specific funding sources. They explored the myriad of alternatives to the historical source of municipal revenue, property taxes.

In an effort to emphasize available alternative funding sources, there seemed to be very little effort in discussing the problems associated with acquiring these funds. The difficulties that arise in resolving our funding alternatives is the problem that this research project addressed. The overall purpose was to elicit and identify specific concerns of a representative group of Wisconsin fire chiefs as it relates to obtaining alternative funding. All member chiefs of the Wisconsin Fire Chief's Education Association, Milwaukee County Association of Fire Chiefs, and the Racine County Fire Chiefs Association were surveyed for responses to what alternative funding sources they have used, and more importantly for the purpose of this research, to indicate any difficulties in resource acquisition.

The fire service has always been resourceful; but in the area of funding alternatives, we have taken for granted the stumbling blocks that have arisen in the various processes. Once we recognize these difficulties, we can better manage our funding needs.

This research utilized evaluative and historical methodologies to answer three research questions.

The research questions to be answered were:

- 1) What are the alternative funding sources most used by Wisconsin fire chiefs?
- 2) Of the funding methods available, which have historically been the most difficult to procure and what were some of the specific problems associated with the process?
- 3) Will the final assessment of this research project allow fire service officers to be better prepared to address the planning and acquisition of alternative funding?

The data compiled from a survey of Wisconsin fire chiefs and extensive alternative funding literature proved to be very effective in assessing financial alternative availability and utilization. The targeted survey population responded with specific commentary that was useful in formulating recommendations for making this aspect of the budget process less intimidating.

The general recommendation of this research project was that we, as financial managers, acknowledge the experiences of our peers when we consider the choices available to us in alternative funding. It serves no purpose to continue the quest for funding if, at some future point, we are excluded from the process by the process. The results of this research project give the executive fire officer a direction to follow in order to avoid certain pitfalls, obvious or not.

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INTRODUCTION

In February 1997, this author accepted a position with the Caledonia Fire Department as its fifth Fire Chief. The Town of Caledonia is located in Southeastern Wisconsin. (See Appendix A) More specifically, the Town occupies 48 square miles of eastern Racine County which lies between Milwaukee (WI) and Chicago (IL). The importance of our location is that, because of urban flight, we are developing at a rate faster than our departmental budget can keep up with.

In the past five years, nearly 1,300 single family dwellings have been built in our community, which has stretched our capabilities to provide proper services. It is important to note that a recent moratorium has been temporarily placed on new construction, but that does not affect any current or plan-approved subdivisions. Growth will continue at an accelerated rate for at least a few more years. We are, as are many other communities, forced to be reactive to this development and to the increased need for services.

Locally, it is estimated that for every \$1.00 in tax revenue, it costs as much as \$1.20 to provide public services to single family dwellings. The fact that the Town of Caledonia has a small industrial tax base only compounds the problem. Taxation of industry in this area usually produces excess revenue. At the very least, industry pays its own way.

The Caledonia Fire Department has a budget of over two million dollars. Of that, less than \$140,000 is allocated for the day-to-day expenditures. Not unlike many other fire departments, personnel costs are the greatest expenses that we incur. Working agreements or labor contracts are always taken into consideration prior to setting the rest of the operational budget. As these contracts cut deeper into the total budget, alternative funding sources must be considered for the continuation of satisfactory operations.

As mentioned above, the Town of Caledonia covers 48 square miles of eastern Racine County in

Southeastern Wisconsin. It is the largest Township in Wisconsin, with a population of nearly 25,000. The budget is approved at an annual meeting where the levy limit is established by participating citizens by means of a general vote.

The Fire Department consists of 26 Career Firefighters, 30 paid-On-Call (POCS), and a civilian Administrative Assistant. We operate out of two stations and respond to 600 fire calls and 1400 EMS calls per year. The department generates over \$220,000 in revenue per year based mostly on EMS billing and UST/AST fees for installation and closure. Somehow, this \$220,000 boils down to an allocation of approximately \$140,000 for day-to-day operations. This reinforces the fact that other alternative funding sources must be investigated to stay fully and properly equipped in order to continue to provide the best possible service to the community.

The problem that this research project addressed, was that obtaining alternative funding is not always as easy as simply filling out the requisite forms. Difficulties arise in the acquisition of these funds. The purpose of this project was to elicit and identify specific concerns of a representative group of Wisconsin fire chiefs as it relates to obtaining alternative funding sources.

A two-part survey (See Appendix B) was distributed to seventy-two (72) fire chiefs. The sample population that was selected for participation in this research were members of three associations; the Wisconsin Fire Chief's Education Association, Milwaukee County Association of Fire Chiefs, and the Racine County Fire Chiefs' Association. The intent was to find out which alternative funding sources were being utilized and what were the difficulties in the acquisition of these funds.

In conducting this research two methodologies were utilized, historical and evaluative. It is important to understand the historical significance of fire department funding. In years past, it wasn't necessary to explore funding alternatives because property taxes in most cases were sufficient to cover

all of the operating expenditures. In years prior to bonding issues, even capital costs were accommodated by taxes. This provided a basis from which this current evaluation could begin. These methodologies will determine the answers to the following research questions.

- 1) What are the alternative funding sources most used by Wisconsin fire chiefs?
- 2) Of the funding methods available, which have historically been the most difficult to procure and what were some of the specific problems associated with the process?
- 3) Will the final assessment of this research project allow fire service officers to be better prepared to address the planning and acquisition of alternative funding?

BACKGROUND AND SIGNIFICANCE

Taxpayer revolts throughout the country, drops in revenue, state tax relief propositions, levy limits, inflexible mil rates, statutory restrictions, elimination of federal revenue sharing, bureaucratic red tape and politics are some of the many hindrances to the capabilities of a community to budget for needed services.

With all of the restrictions that affect the Town of Caledonia and the Fire Department in particular, this author was becoming aware of the need for additional alternative funding sources. The Fire Department currently utilizes some revenue producing alternatives. The amounts projected for 1998 are:

Rescue Squad Service Fees	\$162,000.00
Wisconsin Fire Insurance Rebate	35,500.00
UST/AST Removal/Installation Fees	10,000.00
Recurring Ambulance Grant	4,500.00
Training Ground Rental	4,500.00
Public Education Donations	<u>4,000.00</u>

Total \$220,500.00

This amount would cover the fire department's day-to-day operational budget but in our case, and many others, the revenue always finds its way to the general municipal fund. Funding alternatives that would be task or equipment specific would much better serve the fire department. Not only did it become necessary to consider revenue sources to alleviate the squeeze on current operational spending, but the Caledonia Fire Department's future budget plans demand creative funding alternatives.

The Town of Caledonia is growing at a rate that is economically unhealthy. The majority of development is single family dwellings. With the nearly 1300 homes that have been built in the past five years and no appreciable industrial tax base to supplement the costs of servicing the multitude of

suburban subdivisions, the Town cannot expect to set levy limits high enough to cover actual costs. Urban flight is expected to continue into Caledonia because of its rural amenities and because taxes are very low. A comparative example of the cost of fire protection in this metropolitan area is the City of Racine, of which Caledonia is considered a suburb.

The City of Racine taxpayer contributes \$4.85 per \$1000 of assessed value for fire protection. The Town of Caledonia taxes at a rate of \$2.49 per \$1000 of assessed value. This substantial difference is of little consequence to the Town's population as evidenced by past annual budget meetings. When people moved to less taxation, they intended to keep it that way.

The National Fire Academy course, Fire Service Financial Management, provided the impetus for this research project. Managing the finances of a fire department requires creativity and forethought. The complexity of making ends meet is becoming much more difficult, which prompted this author to explore a large variety of alternative funding sources. The initial purpose was to find additional funds to supplement the current and future Caledonia Fire Department budget needs.

It became apparent that while there were plenty of options to investigate in the area of supplemental funding, there were unanticipated complications associated with the appropriation of alternative funding for the fire service. Because of my limited personal experience in the appropriation process and only incidental discussions of the associated problems with alternative funding sources, the overall purpose of this project was developed.

It became apparent that more consideration had to be given to those complications, problems and concerns. By investigating the responses from a representative survey population, a determination could be made as to where and when fire chiefs in Wisconsin, and elsewhere, could expect procedural glitches in the alternative funding process.

With budgetary and time constraints that all executive fire officers are faced with in today's environment, it is important that alternative funding considerations and concerns be investigated. The results of this research project will help facilitate that process.

LITERATURE REVIEW

The literature reviewed to support this research project dealt in great part with specific alternative funding sources. The compilation of this extensive list provided a great deal of insight into the wide range of revenue sources. Together with the project survey, the literature greatly contributed to the evolution of this particular funding analysis.

For the uninitiated chief officer seeking revenue assistance, the Federal Emergency Management Agency (1996) provides an information packet that details federal domestic funding assistance. What is remarkable about the data that is included in this particular outline, is the restrictiveness of each funding program. Some of the considerations that must be dealt with are:

who is the authorizing agency, specific program objectives, specific uses and use restrictions, eligibility restrictions for the applicant and beneficiary, and the approval of documented credentials. All of these factors must be considered when simply applying for a federal grant. The literature review exposed other complexities in the alternative funding process, even after the revenue had been appropriated.

Fire chiefs, like their counterparts in the private sector, must become creative in financial management. Carl Bellone, Richard Price, and Paul Tabacco stress that executive officers, public as well as private, think in entrepreneurial terms. "Because we commonly think of entrepreneurs as money making people in business who usually don't think of public sector services as businesses capable of making money, we may be skeptical of public entrepreneurship" (1988, p.34).

A complimentary example of the entrepreneurial spirit in the fire service is one that Rob Stewart (1983) presents. When we've received donations to the fire department, they are seldom not spent immediately. Revenue opportunities exist if we rethink our spending habits. He states, "Revenues from donations may be invested in a variety of interest and capital gain options" (p.56).

Fire service leaders throughout the country are being asked to provide and perform more services with less revenue and resources. William Kinsey discusses alternative revenue sources and financial management styles that are outside the paradigm. "Fire service leaders are directed to take a different approach to management and adapt many of the qualities and characteristics of the corporate world and market place" (1994, p.2).

Keith MacIlsaac (1990), in an applied research project for the National Fire Academy, surveyed fire departments from 14 states. He found that "Many fire departments do not presently use alternative funding programs to generate revenue to support their operations" (p.15). In fact, the survey indicated that most departments are dependent exclusively on traditional taxes for operational revenue.

The problem of not utilizing nontraditional funding sources is compounded by the results of yet another recent study. Roy McNamee found that "The national rate for reduction in (traditional) funding ranged from 10 percent to a high of 61 percent" (1992, p.2).

This author believes that alternative funding sources are too narrowly defined by fire service leaders, although Wisconsin fire chiefs may be more flexible in seeking and using alternative revenue. (See Survey Results) Nevertheless, "The best revenue source should be equitable, efficient and elastic" (Boyles, 1994, p.1).

Differentiation between the public sector and the private sector has become blurred. "The

traditional lines between the two are quickly changing. Large new revenue sources are a thing of the past" (DeGroot & Kemp, 1992, p.5). Creative financing is a tactic that a progressive fire executive must consider.

There are, of course, some distinctions that are evident. Businesses that have an unexpectedly busy year and face unanticipated expenses, can expand output to increase revenue. Unlike the private sector, this is unlikely for a fire department (Furey, 1995). Mr. Furey is right in his thinking unless expanded output by a fire department could be more liberally defined as providing expanded service for fees.

Expanding services for fees may be the only answer for some departments, because tax increases for unimproved services is no longer considered acceptable by the community. The monies that the fire service is used to receiving is now being diverted to social and aesthetic programs. The beauty of a flowered highway median is costly to the fire executive officer when he or she knows that the money was cut from the fire department budget. These arbitrary cuts are difficult, but when shortfalls are because of across-the-board reductions, they probably should be considered permanent.

"Do not make the mistake - nearly always fatal - of assuming that the fire department will be funded at the expense of other programs" (Koen, 1985, p.17). Mr. Koen emphasizes that times have changed. These programs "...might not have been identified traditionally as "essential services", but they are popular programs with constituencies that will be heard by decision makers in the budget approval process" (p.17).

"Perhaps it is now time to begin determining what the term "essential services" means in a community and whether fire protection is truly an essential service" (Bruen, 1991, p.42). If society determines that fire protection and emergency medical services are not essential, the task of fire department financial management will be increasingly more difficult to accomplish.

When fire departments get a call for an emergency, whether E~S or fire, our only option is to respond. The general public recognizes that a response logically follows a call for help. There is no consideration that budget reductions might mean that fire trucks or ambulances will not cover a call (Bowman, 1992).

Shortfalls in fire department budgets, in some cases, cannot be attributed solely to economics. Politics plays a part in the lack of budgetary funding. For example, "If a large or vocal group of citizens feel new playground equipment is a priority ... officials (may) feel they can generate more votes by meeting that request" (Swan, 1991, p.45).

"Faced with the need for drastic budget cuts, some local officials have promised that items slashed will be restored once the economy improves and current shortfalls in revenue are overcome" (Bruno, 1992, p.10). Mr. Bruno implores fire officials to fight for budget dollars. He adds, "Don't believe the promise that you'll get it back when things have returned to 'normal'. In the 1990s, it may be 'normal' for state and local governments to be constantly on the brink of financial disaster" (p.10).

It is difficult to rely solely on taxation as a revenue source especially in this day and age. Harry Carter relates, "When citizens are placed in the position of choosing between their pocket books and their safety, they rarely vote according to common sense, opting to cut cost, rather than increase expenditures" (1991, p.22).

In the discussion of essential services, Karen Kerns and Chuck Stacy (1977) emphasize the point that a fire department budget must reflect not only what the fire executive wants for monetary policy, but more importantly, it must reflect the policy that the citizens want. Certain budget priorities may sound very reasonable to the fire chief, while the community may have quite a different agenda. The interpretation of "essential service can be very subjective.

The Federal Emergency Management Agency provides a guide for appropriating alternative funding. From the fire service perspective, we're not only looking at budgetary considerations for "essential service" as defined by the public, but at all of the "additional services" that we now define as essential (1993). In the 1990s, we have been asked to do more with less and the difficulties are very well illustrated in the literature selected for this project.

The search and review of the literature was extensive. In order to compliment the survey responses, it was necessary to investigate as many specific problems that arose in alternative resource funding as possible.

Reba Chappell contends that our purpose is to serve the citizens and not some far-away faceless bureaucrat. "Some very sacred bureaucratic processes must be forsaken" (1978, p.55). This premise, however, does not agree with other authors. One indicated that alternative funding sources must be judged not only for their economic value, but more so, for their political feasibility (Duncan, 1990).

Political pressure affected the outcome of benefit assessment fees in San Bernardino County, California. Initial proposals were made; "However, the proposals were abandoned when it appeared there may be a (mere) five percent protest in some districts "(Boyles, 1994, p.16).

On the other hand, even with little or no public opposition to fees, the county of Los Angeles, Board of Supervisors in 1987, "Exercised its option to disapprove it by a 3-to-2 vote" (Lee, 1992, p.3). Our intentions to supplement our fire service budgets can indeed be politically influenced.

"Systematizing capital investment decisions is not only necessary and feasible, it does not ignore or subvert the necessary and proper political issues within which local government decision making must

occur" (Matzer, 1989 p.90).

Wallace Miller and Michael Peters warn us not to get accustomed to revenue from fees like this because, like in the State of Washington, they may be short term. These programs actually expire within a few years. "After which (they) must be resubmitted to the voters for re-authorization" (1991, p.47).

The evidence of political ramifications in the search for revenue is no less daunting than the legal snags that fire executives must anticipate. "A search of state and local laws will be necessary to determine one's legal authority to develop, implement and collect such fees" (Kelly, 1990, p.8).

An editorial from Minnesota Cities further discusses this matter.

The first question is whether the city has the authority to charge a fee for fire service. In several opinions, the Attorney General has concluded that cities do not. ... The conclusion was that while the authority might theoretically exist, cities would not be able to meet the statutory conditions for exercising that authority (1989, p.8).

Compounding the problems associated with the squeeze on budgets, are clear manifestoes that emphasize no new taxes. "California's proposition 13 constitutionally prohibits new ad valorem taxes on real property" (Jamison, 1979, p.1). "Washington State (only) allows fire protection districts to receive a maximum of 3 mills on property taxes collected within their district" (Wenke, 1995, p.1).

Because certain fee structures may be illegal, the thought might be to disguise them as taxes; but with strict taxation limits, pursuing that course of action would serve no practical purpose.

Fees like fire flow or fire protection fees that are based on anticipated needs, are difficult to assess. Defining need is like defining essential services. Because of the ambiguity, diverse interpretations usually cause complications with this type of alternative funding process. Setting a fee structure for property or personal actions that would cause "excessive" use of fire department services, have not withstood local court arguments (Craley, 1989).

Allen Evans and Victor Porter (1985) ask the question, "How is fire protection need measured" (p.32)? We, in the fire service, tend to measure by worst case scenarios. These scenarios, like the proverbial hundred year flood, may never happen. The recipients of these fees are going to need solid arguments defending the reasons for their escalating costs. "In some instances, they (assessments) were overturned in court for being too vague in their justification" (Carter, 1991, p.21).

"Prior to instituting any program of alternative funding, the wise mentor should insure that he or she is on sound footing, legally and politically" (Dean, 1995, P.14).

Two contentious fund sources are development fees and impact fees. The National League of Cities advises that "Friction, disagreements, and litigation are inevitable even under the best of circumstances" (1979, p.21). In addition, "The inappropriate application of some revenue sources may in fact, worsen a poor economy within a community. This occurs when businesses, corporations, and jobs leave the community to avoid higher fees" (Damrell, 1995, p.16).

John Dean (1995) emphasizes that when we drive corporations or families to lower taxed jurisdictions, those communities are happy to get their business. With regard to development fees or impact fees that are specifically assessed for fire protection, developers often question the requirement "to buy into the protection already existing" (Leiper, 1990, p.3).

George Appel (1993) researched ambulance transport billing in Sacramento County, California. Because the fire department intended to assume EMS transportation and the revenue associated with it, the county would lose one million dollars in revenue. The licensing fees that private ambulances were required to pay would be lost in the takeover.

Ambulance providers must also be concerned with billing rates. Some providers have been

taken to task "If the price paid by a patient for any EMS service generates sufficient income to cover more than the marginal costs ... in the course of providing that service" (Pringle, 1991, p.470).

There are quite a large number of alternative revenue sources and with them are many affiliated problems. It is the job of the fire chief to anticipate these and make adjustments in order to make these resources viable. The literature review provided other examples of complications, tangible as well as intangible.

Violators of Berkeley California's Fire Code can be issued bench warrants. "Persons convicted of failing to correct a fire code violation can now be fined \$250, and must pay court costs" (Michaels, 1985, p.36). The fire department can also charge for all of the inspections and re-inspections associated with each violation. Great care, though, must be taken not to alienate the department from the public because of perceived exorbitant fines and fees.

This literature review produced four areas of concern with regard to public fund raising as an alternative funding source. These must be considered by the fire officer before embarking on this process.

- 1.) "When you go out in public and ask for money, you open your department to increased public attention" (Chatterton and Chatterton, 1997, p.10).
- 2.) "It will make a difference if you can show that the donation ... will have a direct effect on the donor or someone close to him" (Porter, 1985, p.54).
- 3.) "It is an activity that lends itself to scams by unscrupulous con-artists and it requires close supervision by fire-rescue organizations" (Bruno, 1997, p.16).

- 4.) Be prepared to "clearly state your needs, and demonstrate your ability to responsibly and productively spend the money received" (Schnitzer, 1984, p.41).

William Kinsey (1994) mentioned that firefighters entered the fire service to be firefighters. Whether anticipated or not, there are administrative costs involved with alternative funding programs. Some of these involved restructuring department organizational charts. The reactions of the local labor union, therefore, must be considered.

Karen Bowerman (1993) and Jerry Catoe (1993) indicated that if departments did not shift line personnel to staff positions, then personnel would have to be hired to administer some types of alternative funding plans. In both of those cases, this was considered a process limitation that adversely affected fund appropriations. Bowerman added, "An additional person would need to be hired just to research and establish alternative revenue sources" (1993, p.12).

Not only must fire officers be concerned with the internal costs of administering to a funding source but "The high cost of administration may also increase public concern" (NuSs, 1992, p.22).

George Ziesemer (1991) indicates that there must be a cost-benefit analysis done in the planning stages of each and every nontraditional funding mechanism. This literature review bore that Out. The complications associated with the appropriation of alternative funding in the fire service are many, and sometimes quite subtle.

In summary, the literature review was extremely important in establishing a basis from which to demonstrate a current, as well as historical, perspective of problems associated with alternative funding resources. It also provided a basis for a comprehensive analysis of the selected survey population utilized in this research project.

The emphasis of this research dealt with the complications associated with nontraditional funding sources. Most of the individual literature cited in this project was directed toward a particular type of resource. The authors, therefore, had an opportunity to explore in depth each of their selected topics. The importance of their analysis could not be underestimated and it proved to be extremely helpful to this author.

The accumulated findings and observations gleaned from the literature review indicated that many problems associated with alternative funding were discovered in the implementation stage rather than in the planning stage. Problem solving in the planning stage is where proactive department financial managers must concentrate their efforts.

To this author, the literature review in conjunction with this project's survey results should provide the fire department financial managers with a means to explore a variety of problems associated with alternative funding sources.

PROCEDURES

The literature review pointed out that there are problems with the appropriation of nontraditional funding sources. With that in mind and with the intent of this applied research project, a survey was conducted of Wisconsin fire chiefs.

Seventy-two (72) surveys were distributed to three groups of fire chiefs to ensure that a representative sample was utilized. The membership rosters of the Wisconsin Fire Chief's Education Association, Milwaukee County Association of Fire Chiefs, and the Racine County Fire Chiefs Association were utilized to establish a survey population. Membership in these associations represent both career and volunteer organizations which provided a comprehensive state-wide sample.

On August 26, 1997, these surveys were distributed by the U.S. Postal Service to the member chiefs. Each survey packet included a cover letter and two-part survey. (See Appendix B) A self-addressed postage-paid envelope was also included to facilitate easy and confidential responses. Each of the participants was instructed to complete the survey and return it by September 12, 1997.

Whether or not the participants decided to take part in the survey, they were requested to return the survey with or without comments. Of the seventy-two (72) surveys distributed, fifty-six (56) were returned. One (1) of those was returned without comments.

This was an uncomplicated survey that proved to compliment the literature review very well. The survey results, combined with the cited literature, provided the information necessary to answer the research questions. They were as follows:

- 1) What are the alternative funding sources most used by Wisconsin fire chiefs?
- 2) Of the funding methods available, which have historically been the most difficult to procure and what are some of the specific problems associated with the process?
- 3) Will the final assessment of this research project allow fire service officers to be better prepared to address the planning and acquisition of alternative funding?

COLLECTION OF DATA

All but three (3) responses were collected on or before the required date, Friday, September 12, 1997. Those late responses were received the following Monday and were still considered relevant and timely. No other responses were received subsequent to that date.

The process of data collection was two-fold. The first task was to tabulate the alternative funding sources utilized by these fire chiefs. The survey presented forty-one (41) specific categories plus an "other" space for additional funding sources. The second part was to document comments relevant to the complications with the appropriation of those funds.

ASSUMPTIONS AND LIMITATIONS

It was assumed that enough of the sample population would participate to ensure a representative response. It was also assumed that those responses would be factual and limited to the fire service. Additionally, it was believed that the instructions for the survey were clear and concise. It was assumed that no one would misunderstand the purpose of this project.

Recognition of some types of alternative funding sources as revenue producers might have, in and of itself, been a limiting factor. For example, executive fire officers in larger departments might not deal directly with many of these types of alternatives.

Nearly 78% of the surveys were returned, (56 of 72). While this seemed satisfactory, the total sample population may have been a limiting factor by its relatively small size.

It was assumed that this author's involvement in two of the associations would not influence the responses, particularly from the Racine County Fire Chiefs' Association, to which my membership ties are closer. This, ultimately, did not seem to be a factor in response totals.

Another assumption was that confidentiality was a necessary factor in conducting this survey. Many of the respondents took the opportunity to write notes, send business cards and/or sign the survey forms. This, as well, did not seem to affect the quality of the responses. Anonymity in many research projects is, without a doubt, very important. Lack of the requisite confidentiality in those surveys are major limiting factors that would skew the results. For the purpose of this project, I don't

think this was a probability. These notes, cards and signatures, nevertheless, must be mentioned as possible limiting factors.

DEFINITION OF TERMS

Ad Volarem Taxes - Levies set according to the assessed value of an asset, usually property.

Assessed Value - Value established based on market analysis. In this case, capital property.

Bench Warrant - A judge's directive to arrest, usually for failure to appear at a hearing. The purpose is to have the defendant brought before the court.

Development Fees - Like impact fees, these are set based on the expected cost of providing services. They, however, include consideration for the impact of capital improvements.

Cost-Benefit Analysis - Compares the ratio of the monetary value of the benefits of a proposed action to the costs incurred.

EMS - Emergency Medical Service as it refers to pre-hospital care given by emergency personnel.

Fire Flow Fees - Fees based on anticipated water needs by the fire department.

Fire Protection Fees - Fees based on specialized equipment needs of the fire department.

General Fund - The fund used to account for revenues and expenditures which are not specifically designated for any other fund.

Impact Fees - Fees based on the expected cost of providing services to new developments in a

community.

Mil Rate - Term used to describe the rate of property tax assessment.

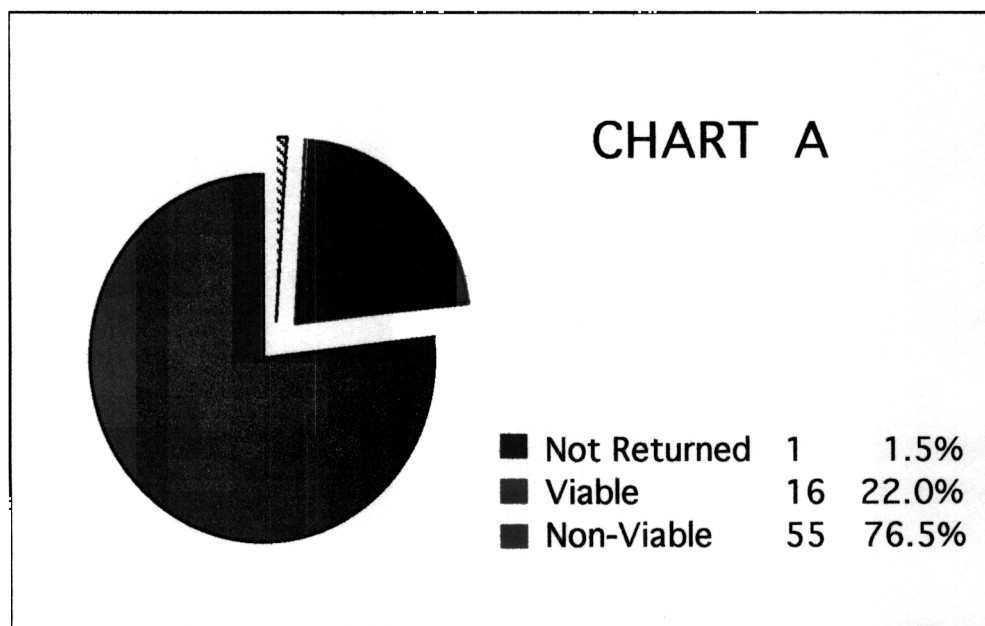
Paradigm - A model or pattern for determining the usual form of an item or idea.

Urban Flight - Changing demographics that result from individuals and businesses moving from cities to suburban or rural locations.

UST/AST - Underground Storage Tank/Aboveground Storage Tank.

RESULTS

Chart A represents the total number of surveys distributed and response percentages. Seventy-two (72) Wisconsin fire chiefs were requested to participate and fifty-six (56) actually returned the surveys; fifty-five (55) with comments. One (1) survey had no comments in either Part I or Part II. All percentages in Chart A are based on 72 = 100%



Although three (3) distinct groups of fire chiefs were selected for this project's sample population, no special significance or value was given to this factor. These were merely avenues by which to distribute the survey forms.

SURVEY REQUESTS AND COMMENTS

The survey (See Appendix B) was a simple two-part request for information concerning alternative funding. In the first section, "Part I - Alternative Funding Sources", respondents were instructed to indicate which of the listed funding sources were utilized by their respective departments.

In section two, "Part II - Comments", they were to comment on any problems or complications that arose in the appropriation or management of these alternative funding sources.

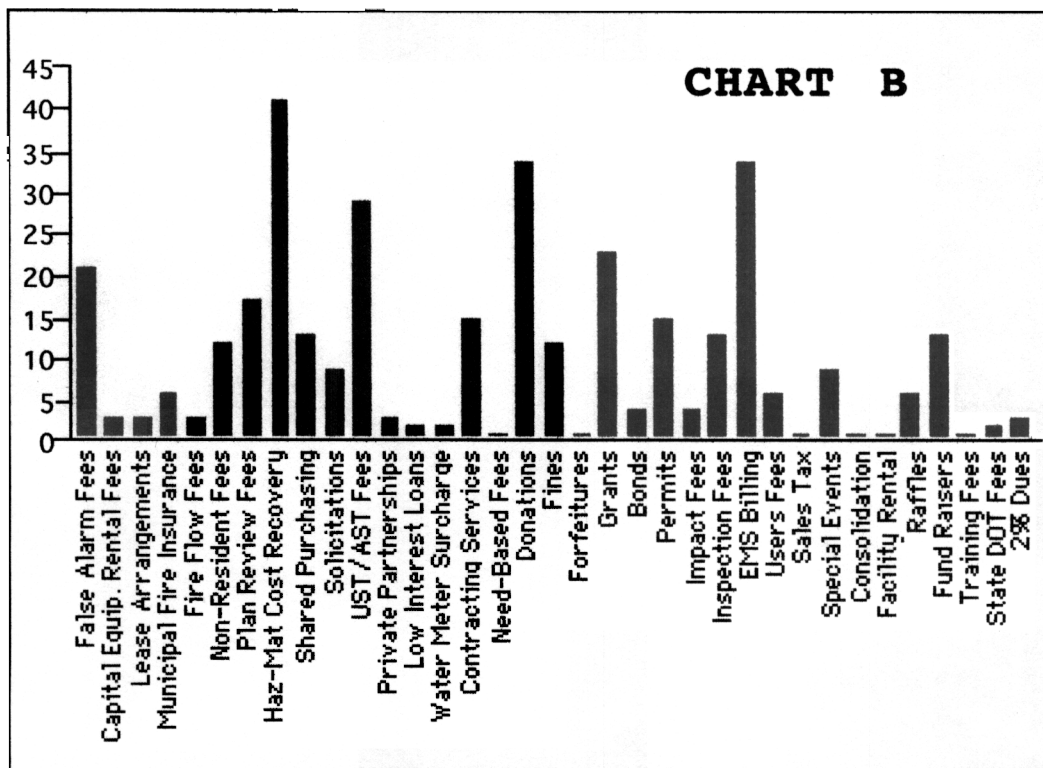
There were forty-two 42) funding sources listed in Part I of the survey, forty-one 41 specific items and one (1 "other" category. This "other" category generated six 6) responses in three areas; training fees 1), 2% dues which are rebates based on insurance premiums 2), and Wisconsin State Department of Transportation (DOT) fees 3) which are collected when responding to incidents on DOT thoroughfares.

Chart B is a representation of the data gathered from the responses to Part I of the survey. In addition to the responses to the "other" category, it is relevant to note that nine (9) of the selected funding sources were not utilized by the respondents. They are:

subscription fees, insurance franchise fees, dwelling transfer fees, benefit assessments, department investment plans, construction taxes, fireguard fees tax overrides and recycling. They are not included in Chart B.

Recycling, I suspect, was not considered a form of alternative funding but personal experience has provided enough evidence that fire departments do recycle. Aluminum cans, plastics, scrap metals, and batteries can be recycled for revenue.

ALTERNATIVE FUNDING SOURCES



There were a number of general comments provided by respondents to Part II of the survey. The greatest dissatisfaction was with the relationship between various alternative funding sources and the municipal general funds. Nearly half of the comment sheets contained remarks relevant to the loss of monies to these funds.

Another common comment was the admission by many of the chiefs that fire departments don't pursue nontraditional funding sources as often as they should. They also indicated some frustration in setting up any type of fee structure because in almost every case, an ordinance was required. They contend that the ordinance process is more time consuming than establishing the fee program itself.

Two other areas of discussion in the comment section were that fire protection districts are usually non-stock, non-profit government corporations and they have the advantage of not competing with other municipal departments for funding. Also, one of the respondents indicated that their department was strictly and solely provided funds by the Department of Defense. They, therefore, had no need for alternative funding sources.

This project's survey Part II provided a variety of specific comments. They are paraphrased as follows:

EMS Billing - It's difficult to collect from transients and/or non-residents.

Donations - They must be very specifically defined, otherwise, they go into the community's general fund.

False Alarm Fines - They are sometimes very difficult to prove.

Hydrant Rental - These are high costs and not prorated by use. Renting our own municipal water

system is not appropriate, and an unnecessary budget expenditure.

Grants - Wisconsin Act 102 is very specific. It is supposed to supplement budgets and can't be used as a substitute; but it often is.

Fees - Mayor and council are against charging any fees whatsoever. It is very difficult to convince them of the need.

EMS Fees - Many communities can only get approval to bill nonresidents.

Inspection **Fees** - When these fees are sent with the tax bills, the fire department doesn't see the money.

Grants - Department of Natural Resources' grants are impossible to get in Southeastern Wisconsin. Northern counties seem to have an advantage. (There is much more wild land in Northern Wisconsin.)

EMS Billing - This is labor intensive. Medicare laws and patient tracking are difficult to deal with.

Donations - They must have council approval before they can be dedicated to the fire department.

Fines - Fines for fire code violations go to city's general fund.

Fund Raisers - They are labor intensive and not uniformly participated in by the membership.

Burning Permits - They are difficult to enforce. Plan Review Fees - They, in great part, go to consultants. The fire department usually sees very little of these fees.

Solicitations - These donations are not allowed from private sources.

EMS Billing - These funds go directly into the general fund.

Inspection Fees - There is a great deal of resistance from the business community.

EMS Billing - It is difficult to predict Title 19 users. Haz-Mat Recovery - In a pending law suit, a hauler's insurance company will not pay. In a classic catch-22 situation, a haz-mat team prevented a leak from an overturned tanker. The insurance company wouldn't pay because there was no leak.

Impact Fees - For operating budgets, the city's departments are restricted to 20% of collection totals.

EMS Billing - Increases are met with resistance.

Inspection Fees - Resistance from businesses stopped the process. It is now indefinitely on hold.

Haz-Mat Fees - Billing required formal justification statements from the department.

False Alarm Fees - Proving intentional false alarms is difficult.

Plan Review Fees - This program was held up in council. There is no progress and it has been permanently tabled.

Special Event Fees - We are allowed to bill only sponsors that make a profit.

Grants - Our haz-mat team grant application was very complex and specific.

Alarm Fee - Fire alarm installation fees are counter productive.

CONCLUSIONS

The purpose of this research project was to elicit and identify complications associated with the appropriation of alternative funding in the fire service. Fire executives know that these funding sources are achievable and ultimately can be utilized to ease the budget crunch. What was less apparent, were the difficulties that arose in the procurement process or in the managing of these nontraditional sources.

By researching these problems, fire service financial management will be made less complicated. The intent of this project was to answer three research questions.

- 1) What are the alternative funding sources most used by Wisconsin fire chiefs?

The fire chiefs provided enough responses to reasonably conclude which funding sources are used more frequently in the fire service. By tabulating the survey results, these statistics became available. Funding sources are ranked from most to least utilized by the sample population of fire chiefs and are represented in Table I.

TABLE I

Haz-Mat Cost Recovery	41	Fire Flow Fees	3
Donations	34	Lease Arrangements	3
EMS Billing	34	Cap. Equip. Rent Fees	3
UST/AST Fees	29	2% Dues	3
Grants	23	State DOT Fees	2
False Alarm Fees	21	Low Interest Loans	2
Plan Review Fees	17	Water Meter Surcharge	2
Permits	15	Need-Based Fees	1
Contracting Services	15	Training Fee	1
Fund Raisers	13	Facility Rental	1
Inspection Fees	13	Consolidation	1
Shared Purchasing	13	Sales Tax	1
Non-Resident Fees	12	Forfeitures	1
Fines	12	Subscription Fees	0
Solicitations	9	Ins. Franchise Fees	0
Special Events	9	Dwelling Transfer Fees	0
Municipal Fire Ins.	6	Benefit Assessments	0
User Fees	6	Dept. Investment Plan	0
Raffles	6	Tax Overrides	0
Bonds	4	Fireguard Fees	0
Impact Fees	4	Recycling	0
Private Partnerships	3	Construction Tax	0

- 2) Of the funding methods available, which have historically been the most difficult to procure and what are some of the specific problems associated with the process?

This question was problematic particularly as it pertained to the survey responses. The results of the survey demonstrated by Table I and by the comments, can be interpreted in two distinct ways. To determine the answer to question number two (2), further information would have been helpful to this research project.

Most of the indicated problems with the appropriation of alternative funding were associated with the most utilized sources. While it's logical to expect those results, one can also conclude that those funding options that received no indications of usage did so because of previously recognized complications.

Insurance franchise fees, dwelling transfer fees, tax overrides or construction taxes, for example,

may be inherently complicated and therefore aren't traditionally used for alternative funding sources.

The comments that this research survey produced were for those items that were being used by the fire departments. Even if the respondents were familiar with the nonindicated funding sources, they did not comment on them.

The collected data and the literature review produced enough information to conclude that some, if not all of the nontraditional sources, have historically been either difficult to procure or difficult to manage.

- 3) Will the final assessment of this research project allow fire service officers to be better prepared to address the planning and acquisition of alternative funding?

Fifty-six (56) survey responses produced twenty-nine (29) distinct comments on problems associated with funding acquisitions. Those comments, in conjunction with forty-four (44) cited references, produced an appropriate amount of information to assist fire service officers and managers become more proactive in planning for nontraditional funding sources.

Any person who is responsible for the fire department purse strings can review the many experiences of others who contributed to this project, and learn from those experiences. In most cases, recognition of the problem itself is the first step towards a solution. This research serves that purpose.

DISCUSSION

It is evident that the problems associated with alternative funding allocation is not unique to Wisconsin fire chiefs. The literature review produced many examples of these associated problems. While no single citation could adequately demonstrate a universal problem; collectively, they indicated the pervasiveness of the complications with regard to nontraditional revenue sources.

For most of the alternative funding sources mentioned in the literature or in the survey responses, associated complications were discussed. The findings of the cited authors compliment the remarks of the fire chiefs who responded to this project's survey requests.

Jack Duncan (1990) completed research that investigated the economic and political feasibility of alternative revenue sources for his particular district; Kern County, California. How we augment fire department budgets may differ throughout the country but the author of this project believes that with proper planning, most funding sources are feasible.

There are five main areas that the fire service manager must consider before venturing into the realm of nontraditional funding. Great care must be given to the answers to these questions prior to the appropriation process, certainly well ahead of the implementation stage of any funding program.

- 1) Is it economical?
- 2) Is it legal?
- 3) Is it politically appropriate?
- 4) Is it ethical?
- 5) Is it manageable?

While the literature review dealt more with the legal and ethical aspects of nontraditional funding, the survey respondents more often considered political and manageability aspects of alternative funding. It seems appropriate that fire chiefs would, because they must deal with the politics directly and, of

course, they usually manage the funding program.

The question of economics should be number one. If a funding program isn't economically feasible, it serves no purpose to discuss the other questions. An alternative funding program in that case, is a non-issue and cannot be considered viable.

There was one overriding factor that was found throughout this research process. "Fire service leaders are (being) directed to take a different approach to management and adopt many of the qualities and characteristics of the corporate world and market place" (Kinsey, 1994, p.2).

Kinsey recognized, as should today's fire chiefs, that "This translates into finding opportunities to generate revenue not previously considered for the public sector agency" (1994, p.2). With these new endeavors, come the problems associated with fire department financial management. Comprehensive planning cannot be overstated after reviewing the literature and survey responses.

RECOMMENDATIONS

Based on this research, it is recommended that fire department financial managers, particularly the fire chiefs themselves, be more proactive in the search for alternative funding resources. That means that as chiefs, we must pay more attention to the planning stages of the appropriation process.

The literature review and survey commentary clearly indicated some of the pitfalls and unexpected complications that can arise in the management of nontraditional funding sources. With the information provided in this research project, it is recommended that fire departments anticipate all of the ramifications in the pursuit of supplemental revenue.

This may not only be an economic issue, it can become a very political issue. It is imperative to

know the political climate as it relates to fees, fines, or any other revenue source. This author concurs with John Dean in his assessment. "Prior to instituting any program of alternative funding, the wise manager should insure that he or she is on sound footing, legally and politically" (1995, p.14).

The recommendations are supported by the data collected for this project. Many of the problems associated with alternative funding sources arise after the implementation of a funding process has already taken place.

The problem that his project addressed was that obtaining alternative funding was not an easy process. With the recommendation to follow the leads of others and recognize the problems that they faced; fire chiefs, and this author in particular, will find nontraditional funding sources more easily attainable.

The purpose of this research was accomplished by identifying the specific concerns of this sample population. My peers have essentially given fire service managers the guidance and leadership to ultimately solve the problems associated with our quest for revenue.

With regard to the Town of Caledonia and its Fire Department, it will be the recommendation of this author to seriously study all of the ramifications of alternative funding sources. Those studies, in every case, will include feasibility and impact investigations.

Fire service leaders should now be able to take this information and use it to benefit their respective departments. Recognition of this project's purpose will help many fire chiefs avoid the complications associated with the appropriation of alternative funding in the fire service.

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APPENDIX A



APPENDIX B

EFO APPLIED RESEARCH PROJECT

SURVEY

The following survey is for an applied research project for the National Fire Academy. The research application is for course work in Fire Service Financial Management. From a sample of Wisconsin Fire Chiefs, I hope to establish a representative opinion and analysis of alternative funding utilization and the problems associated with the appropriation of these funds.

We are all familiar with the myriad of alternative funding sources that are available to us. What I would very much appreciate from you, is to indicate which sources you have utilized and to comment on any complications or problems that were encountered in the appropriation process.

This two part survey is first, a list of funding alternatives. Please indicate any funding sources that you have attempted or implemented, whether successfully or not. The second part is a comment section. Briefly describe any problems that you have encountered in any of your alternative funding endeavors.

I can assure you that all responses will be strictly confidential. Even if you choose not to participate, please return this survey in the envelope provided no later than September 12, 1997.

In advance, thank you for your time and consideration. I very much appreciate your assistance.

Peter Waselchuk
Chief
Caledonia Fire Department

PART I**ALTERNATIVE FUNDING SOURCES****(Check All That Apply)**

Subscription Fees	-	Construction Tax
False Alarm Fees	-	Donations
Capital Equip. Rental Fees	-	Fines
Lease Arrangements	-	Forfeitures
Municipal Fire Ins.	-	Grants
Fire Flow Fees	-	Bonds
Non-Resident Fees	-	Permits
Plan Review Fees	-	Impact Fees
Haz-Mat Cost Recovery	-	Recycling
Shared Purchasing	-	Inspection Fees
Solicitations	-	EMS Billing
UST/AST Fees	-	User Fees
Ins. Franchise Fees	-	Sales Tax
Private Partnerships	-	Fireguard Fees
Dwelling Transfer Fees	-	Special Events
Low Interest Loans	-	Consolidation
Water Meter Surcharge	-	Facility Rental
Benefit Assessments	-	Tax Overrides
Dept. Investment Plan	-	Raffles
Contracting Services	-	Fund Raisers
Need-Based Fees	-	Other

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PART II**COMMENTS****(Please Use Reverse Side)**